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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001172

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TREASURY FOR INTERNATIONAL AFFAIRS -- J ROSE

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TAGS: [ECON](#) [PGOV](#) [TU](#)

SUBJECT: KAYSERI BOOMING; AKP MAY BE SLIPPING

REF: A. ANKARA 385

[1](#)B. ANKARA 38

Classified By: Econ/C Tom Goldberger. Reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary. Visiting the Central Anatolian city of Kayseri on May 14, we found local business leaders and politicians unperturbed by the political dramas in Ankara. Members of the business community, famed for their entrepreneurial talents and "family values," seemed more interested in expansive plans for continued investment and growth, which they did not expect to be upset by a return to the political instability of the 1980s and 1990s. Booming Kayseri is also known as the home town of Foreign Minister Gul and a stronghold of the governing Justice and Development Party (AKP). While we found broad esteem for Gul as an individual, political and social views are not monolithic. Even in Kayseri, there seems potential for AKP to lose support to the nationalist MHP and even the new center-right coalition -- a reminder that economic success is not always a recipe for political success and of the unpredictable nature of Turkey's current political turmoil. End Summary.

INDUSTRIALISTS UNFAZED

[1](#)2. (C) Mustafa Boydak, the head of one of Turkey's fastest growing new companies, Chairman of the Chamber of Industry, and a paragon of Turkey's so-called "Islamic Calvinism," was confident that the AKP would retain control of a new parliament. But, he averred, no government could reverse the economic reform program that the AKP has implemented since [1](#)2002. If any government tried to, it would cause an economic crisis and immediately lose public support, he said. Other interlocutors at the separate Chamber of Commerce were less certain of AKP success. A member of the Chamber board said he expected that four of the region's eight parliamentary seats, all of which are now held by AKP, would go to other parties. He thought the nationalistic MHP could pick up two seats and that the center-left CHP and new center-right alliance could each gain a seat. Another former parliamentarian/businessman also saw the AKP losing support to MHP.

[1](#)3. (SBU) All of our interlocutors had a long list of new projects planned for the booming city, including a massive Austrian/French financed expansion of the ski resort on snow-capped Erciyes Mountain -- which looms over the city, building a new sports dome, the growth of new medical tourism industry, and expansion of the large sugar factory, which directly or indirectly supports up to 85,000 families in a city of about 1.25 million. They described how Kayseri's diverse industries, including textile and furniture

companies, were responding favorably to global competition by increasing the quality of their products and the productivity of their production. For example, they said Kayseri companies are importing raw materials from China as inputs for products exported to Europe. Even the sugar factory is aggressively expanding and streamlining with a French partner in preparation for an expected relaxation in Turkey's highly protectionist sugar regime.

14. (SBU) Kayseri's prosperity was also evident in its wide, clean boulevards, well maintained historical monuments and other urban conveniences -- which Boydak jocularly attributed to Gul's skills at directing money to Kayseri. The Deputy Mayor (AKP) emphasized that Kayseri functions well because it doesn't depend on the central government. It takes matters into its own hands, encouraging private investment, including from abroad.

MERCHANTS FIXATED ON PKK AND U.S.

15. (C) The main sour note had to do with U.S.-Turkey relations. While Boydak and his industrial visionaries preferred to talk business, the Chamber of Commerce president, who represents smaller-scale merchants, gave us a stern lecture about U.S. "lack of support" for Turkey's fight against PKK terrorism. Another, more thoughtful member of the Chamber of Commerce, who previously worked for a U.S. company and now runs a successful start-up furniture company with her husband, worried both about the negative image of the United States in Turkey and what she sees as stereotyping of Turks in the United States. Both she and the Chamber president believed that these political attitudes influenced businesspeople's readiness to do business with U.S. companies.

ANKARA 00001172 002 OF 002

16. (SBU) At the same time, we found hunger for engagement with the Embassy and with Americans. People at both Chambers looked forward to more regular Embassy visits as well as American business and cultural programs. The Chamber of Industry, which sponsored last summer's U.S. Chamber of Commerce seminar on doing business with the United States, hopes to establish a special relationship with a regional chamber of commerce in the United States, perhaps from a Midwestern city. Independently, the Chamber of Commerce proposed the same idea. The American Corner director told us about a steady stream visits by students seeking to study in the United States.

ECONOMY NOT ALWAYS FORMULA FOR POLITICAL SUCCESS

17. (C) Comment: As our reporting from across Turkey's regions shows, Kayseri is not alone in enjoying an economic boom thanks to the sound, anti-inflationary economic policies pursued by the Erdogan/Gul government. Cities like Gaziantep (Adana 254), Denizli (Ankara 757) and others (Ankara 1093) are also thriving. Companies like the Boydak Group are gaining market share from Istanbul's often complacent business elite. Despite its conservatism and history of self-reliance, which in the past helped the city weather Turkey's periodic economic crises, Kayseri is opening to the outside world. Over the last year, the Chamber of Industry has organized missions to China and Poland to learn how to work with these emerging markets. Social relationships also seem relatively relaxed. We observed a varied mix of traditional and western dress and covered and uncovered women. We enjoyed a lunch at a modern five-year old restaurant that had both a traditional Kayseri menu and a Chinese menu.

18. (C) At the same time, the growing popularity of the strident nationalism of the MHP shows the risks to the AKP of

its strategy of running on a platform of economic success. An Istanbul financier and an Ankara economist also recently explained (Ankara 610 and 1015) how fast and dramatic economic change is creating social churning that is causing economic "losers" (like the traditional merchants represented in the Chamber of Commerce) to take refuge in the inwardness of earlier generations -- yearning for the perceived stability of state control of the economy. Even if the "winners" are more numerous, they are also less proactive since they have more to lose. Thus, despite the confidence of Mustafa Boydak, the experience of other countries shows that short-sighted politicians with populist backing can reverse economic reforms, even at great cost -- a reminder that anything can happen in politics, as well as of the stakes for cities like Kayseri.

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